

# 1998 Supplemental Operating Budget Overview

The 1998 supplemental operating budgets enacted by Chapters 346, Laws of 1998 (ESSB 6108 – Omnibus Operating Budget) and Chapter 348, Laws of 1998 (ESSB 6456 – Transportation Operating Budget) total \$35.7 billion. Of that amount, \$19.1 billion is from the state general fund and \$16.6 billion is from other funding sources.

Under Chapter 43.135 RCW (Initiative 601), spending from the state general fund is limited to about \$19.2 billion – \$9.3 billion for fiscal year 1998 and \$9.8 billion for fiscal year 1999. The state general fund budget is \$74 million below the current 601 spending limit.

The 1998 supplemental operating budget as adopted by the Legislature and revised to reflect Governor vetoes reduced 1997-99 state general fund dollars by \$891,000 and increased total funds by \$337 million, or a 1 percent increase.

Significant savings in the state general fund budget came primarily from three areas: (1) savings were realized in the state's General Assistance Program when Congress restored SSI eligibility for legal immigrants (\$49.3 million); (2) enrollment in the state public schools was 7,005 full time equivalent students fewer in the 1997-98 school year than originally budgeted and is projected to be 8,625 fewer in the 1998-99 school year than originally budgeted (\$46.6 million); and (3) additional revenue from the federal disproportionate share program offset expenditures from the state general fund (\$39.5 million).

Significant increases for current services in the state general fund budget occurred in two Department of Social and Health Services programs. They are an additional \$20.6 million for the Division of Developmental Disabilities and \$18.9 million for additional community services in the Aging and Adult Services Administration.

Significant funding for new policy enhancements were made in three areas: \$25.3 million of the state general fund was used to support the transportation budget; \$17.0 million of the state general fund was appropriated to support reading improvement in the public schools; and \$10.5 million of the state general fund was appropriated for salmon recovery efforts.



# Fiscal Issues of Statewide Significance

## Transportation Financing Package

Chapter 321, Laws of 1998, Partial Veto (EHB 2894), was passed by the 1998 Legislature and will be submitted to the voters in November as Referendum 49. It provides the majority of a \$2.4 billion transportation financing package through a transfer of Motor Vehicle Excise Tax (MVET) revenues from the general fund to the Motor Vehicle Fund, a \$30 per vehicle tax cut, and increased revenues for local governments.

The referendum would amend and re-enact Initiative 601 to permit the transfers to occur without requiring a downward adjustment in the spending limit. Reimbursements to local governments would be permitted by transfers of state revenues in addition to current law, which allows reimbursement only by direct appropriation. The referendum also provides for voter approval of up to \$1.9 billion in bonds for transportation purposes.

Finally, there are two sections of the bill that are not part of the referendum. The bill establishes a joint committee to study the long-term needs and financing of state and local transportation needs. Also, the bill provides for a \$25 million loan from the general fund to the motor vehicle fund for engineering, design, and right-of-way acquisition related to road construction projects. These two sections were vetoed by the Governor.

The primary fiscal components are as follows:

- Permanently transfers revenue to the Motor Vehicle Fund beginning January 1, 1999. The transfer would total \$36 million in fiscal year 1999 and \$156 million in the 1999-2001 biennium.
- Provides a \$30 reduction in the MVET for personal use vehicles and a reduction in the MVET depreciation schedule to end the practice of valuing vehicles for tax purposes at 100 percent of manufacturers' suggested retail price for each of the first two years. This will amount to a \$257 million tax reduction in the 1999-2001 biennium.
- Increases both county and city criminal justice assistance by 11 percent and then further increases assistance by removing the inflationary cap. In total, criminal justice assistance will increase by \$27 million in the 1999-2001 biennium.
- Provides \$21 million in the 1999-2001 biennium to distressed counties for criminal justice and other purposes.
- Provides \$8 million in the 1999-2001 biennium to cities with small retail tax bases through the municipal sales tax equalization program.
- Provides the Community Economic Revitalization Board (CERB) with an additional \$8 million in the 1999-2001 biennium. Half of this amount is for current CERB programs, and the other half is for extraordinary costs associated with major business facilities in distressed counties.
- Permits the transit districts in Everett and Yakima to use the local sales tax as matching revenues for local MVET taxes. This will be phased in over a four-year period.

**1997-99 Estimated Revenues and Expenditures**  
**1998 Supplemental Budget**  
**General Fund-State**  
(Dollars in Millions)

<b>RESOURCES</b>	
Unrestricted Beginning Balance	512.9
March Revenue Forecast	19,445.8
Revenue Legislation	(24.8)
Transportation Finance Package (EHB 2894)	(35.7)
Total Reductions	(60.5)
<b>Total Resources</b>	<b>19,898.2</b>
<b>EXPENDITURES</b>	
1997-99 Original Appropriations <sup>(1)</sup>	19,076.9
1998 Supplemental Budget <sup>(2)</sup>	(0.9)
Other Appropriations <sup>(3)</sup>	7.7
<b>Total Expenditures</b>	<b>19,083.7</b>
I-601 Spending Limit	19,157.8
<b>BALANCE AND RESERVES</b>	
Loans (Fish and Wildlife)	3.5
Emergency Reserve (After Transfer)	291.1
Unrestricted Ending Balance	519.9
<b>Total Reserves</b>	<b>811.0</b>

<sup>(1)</sup> The 1997-99 Original Appropriations include both Omnibus Budget bills (Chapter 149, Laws of 1997, Partial Veto and Chapter 454, Laws of 1997, Partial Veto), the Transportation Budget (Chapter 457, Laws of 1997), and Chapter 425, Laws of 1997.

<sup>(2)</sup> The 1998 Supplemental Budget includes the Omnibus Supplemental Budget (Chapter 346, Laws of 1998, Partial Veto), the Transportation Supplemental (Chapter 348, Laws of 1998, Partial Veto), Chapter 272, Laws of 1998, Partial Veto, and Chapter 314, Laws of 1998, Partial Veto. See Page 5.

<sup>(3)</sup> The Other Appropriations line includes Chapter 306, Laws of 1997, which transferred money from the general fund to the violence reduction and drug enforcement account.

**Adjustments to 601 Spending Limit**  
**General Fund State**  
(Dollars in Millions)

Baseline Spending Limit for 1997-99 (11/97)	19,270.2
Budget Related Changes:	
Reversal of Federal Policy on Legal Immigrants on SSI	(54.1)
Federal Medical Assistance Percentage (FMAP)	(22.7)
Hospital Disproportionate Share	(46.3)
Reduced Federal Funding for Social Services Block Grant	7.7
DSHS - Mental Health, Medicare Discharge	3.5
SSB 6297 - Local Public Health Financing	(0.4)
SHB 2917 - Fuel Tax/Registration Payment	(0.037)
SB 6228 - Aircraft Dealer License Fees	(0.001)
SB 6429 - Children's Trust Fund	(0.003)
Initiative 601 Expenditure Limit	19,157.86

# **1997-99 Washington State Operating Budget Appropriations Contained Within Other Legislation**

(Dollars in Thousands)

<b>Bill Number and Subject</b>		<b>Session Law</b>	<b>Agency</b>	<b>GF-S</b>	<b>Other</b>	<b>Total</b>
SHB 2556	Child Abuse Prevention/Treatment	C 314 L 98 PV	TESC	12	0	12
2SSB 6544	Adult Family Homes/Boarding Homes	C 272 L 98 PV	OFM	50	0	50
<b>Total Other 1997-99 Operating Legislation</b>				<b>62</b>	<b>0</b>	<b>62</b>